THE CHINA WEEKLY REVIEW

密勒氏評論報

A Weekly Newspaper Established In 1917

August 13, 1949

US WHITE PAPER

AN EDITORIAL

The Future Of Shanghai

Charles J. Canning

The Tiger Problem

A Fable By Chang Tien-I

China's New Universities

Y. H. Hpain

END OF AN INCIDENT

AN EDITORIAL

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LETTERS From The People

Comments from readers on current topics are cordially invited: their opinions, however, do not necessarily represent the views of The China Weekly Review.

Kung's Auto Palace

To The Editor:

I have learned a great deal from your Review, as all your subscribers do. However, I have written nothing to you in return. Now I am glad to write something about my firm, the Auto Palace Company.

Following the liberation of Shanghai, conditions in my firm have been greatly changed. The main thing is the liberation of the wage earners, who in the past were oppressed by their employer. Our boss, Kung Ling Kan, son of H. H. Kung, ex-premier of China, has already fled. His property, including automobiles, hardware, medicine, etc., was left in the Yangtze Development Corporation on the second floor of our building and was confiscated.

Some of the able workers have now been promoted. Every employee has a voice in the management of the firm. We now all work hard to support our firm in order to help our country pass through its economic difficulties.

CHEN, SIH-DING

Shanghai,
August 2, 1949.

Olive Objects

To The Editor:

Your editorial entitled "Racial Tensions," which appeared in your publication dated July 16, has recently come to my attention. Because the editorial is not in accordance with the facts in my case, I hope you will bring the following to the attention of your readers.

You accepted categorically the allegation that I violated a traffic regulation. For your information, violation of a traffic order proclaimed by the military authorities at 12 noon on July 6 was the traffic violation with which I was charged. I was detained at 1:40 p.m. of the same day, and since I had been on the streets continuously since 11:15 a.m. of that day, except for lunch at my residence between 12:15 and 1:15 p.m., it was impossible for me to have any knowledge of the traffic order in question. This order prohibited the movement of traffic on certain of Shanghai's streets during the afternoon of July 6.

Second, your editorial reads that I attempted "to break through the mammoth parade." This is an error, because in the street upon which I was travelling there was no parade of any description. I never saw a parade nor any grouping of people resembling a parade, either at the time of my detention or at any time thereafter during the several hours that I was held on the streets.

Third, your editorial states that I was "taken to a nearby police station." There are other police stations, including the police headquarters on Foochow Road, that are closer to the point from which I was taken. Your editorial did not mention that I was also taken to the police headquarters on Foochow

Road, between 4:00 and 4:30 p.m., within five minutes of my arrival at the Wayside station. At the police headquarters my captors were informed by their superior authorities that the traffic violation was "trivial" and should be "settled within 10 minutes." I understood that in Chinese and the same thing was said to me in English by the same official who conversed with my captors. The instruction was later violated arbitrarily by my captors. Instead of settling the case "within 10 minutes," I was kept waiting for nearly one and a half hours, following which the military authorities emerged from an adjoining room with an order for my detention. While endeavoring orally to obtain permission to notify my office and my wife of my detention, the military authorities initiated a brutal attack upon me. I did not engage in any argument and feel that I have no need to apologize for my reasonable efforts in defense of my rights as a resident and as an official.

WILLIAM M. OLIVE

Nanking,
August 1, 1949.

(Space limitations prevent a detailed discussion of Mr. Olive's charges. Suffice to say they constitute a repudiation of his original statement as published in the local press. There is little to be gained in arguing detailed points with Mr. Olive since his letter was sent to us following his departure from China. —Editor).

Vatican Policy

To The Editor:

It is not the low clergy but only the high church dignitaries who enjoy the tremendous earthly wealth and political power of the Roman Catholic Church in the new people's democracies aligned around the USSR. It is only the high church dignitaries who, with few exceptions, are the ardent executors of the international power politics of the Vatican in such countries as Hungary, Poland, Czechoslovakia and Rumania. The separation of the church and the state, the land reform, and obligatory education of youth by the state in these countries turns the church into a non-political, religious organization, materially supported by the believers and dedicated exclusively to religious work.

This seems to be quite a normal state of affairs. But the excommunication of Communists and their sympathizers from the church clearly shows that the Vatican is more interested in the wealth of the church and in power politics than it is in the spiritual wellbeing of its simple, honest believers.

The Vatican realizes that its only hope for turning back the wheel of history is destruction of these countries and the Soviet Union. Therefore, it is only logical that the Vatican do everything in its power to weaken them by taking sides in the cold war. It is only natural for the Pope to look to the US and Great Britain as the main forces in this war and support their policies.

But the espionage and sabotage centers in Hungary and Bulgaria have been smashed and the high church dignitaries involved duly punished in spite of the noise made by the American and British press and politicians. In Czechoslovakia, too, the Vatican was losing ground. These things caused the Vatican to make its desperate move of excommunication. It shows that the Vatican has irrevocably thrown in its lot with the organizers of the third world war and is going to declare this prospective war a holy war against communism, justifying every crime of the Catholics against their countries.

How far it will have practical value is another question. The reaction of the people and the lower clergy as well as some of the bishops in Czechoslovakia shows that the organization of a national church is the most probable answer. The future will show whether the Vatican has underrated the intelligence of Catholics all over the world.

OBSERVER

Shanghai,
August 4, 1949.

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US White Paper

THE American Government late last week released a voluminous document which it terms its "White Paper" on relations with China in recent years. This book contains dispatches, documents, official letters, reports by observers and emissaries such as General Marshall, General Wedemeyer, and others. The State Department claims that it is a completely open and frank report to the American people and that no material of importance has been omitted.

While this document has not been received here, there has been some press coverage of the letter of transmittal which Secretary of State Dean Acheson sent to President Truman along with the White Paper. Presumably, Acheson's letter, which runs to some 7,000 words, is a brief summary of the high spots of the White Paper.

Generally Acheson's letter seems to be a digest of the history of the past four years in China. While most of the information it contains has been known to correspondents and other observers on the scene, there are some extremely interesting paragraphs, especially those which explain the objectives of American policy toward this country at one time or another during the past few years.

* * *

IN discussing American post-war policy, Secretary Acheson listed three possibilities. One was for the US to pull out and leave China to settle her own problems. The second was to intervene militarily on behalf of the KMT. He rejects each of these as unfeasible and puts forth the third alternative, which is the one he says the US pursued.. The US "could, while assisting the Nationalists to assert their authority over as much of China as possible, endeavor to avoid a civil war by working for a compromise between the two sides." In trying to implement the policy contained in this statement, Acheson says, the US "attempted to assist in working out a modus vivendi which would avert civil war but nevertheless preserve and even increase the influence of the National Government."

Again Acheson says, "Our policy at that time (during Marshall's mission) was inspired by the two objectives of bringing peace to China under conditions which would permit stable government and progress along democratic lines, and of assisting the National Government to establish its authority over as wide areas of China as possible."

It seems to us that right here is where American policy foundered in that it was based on an essentially false assumption. How, we wonder, could anyone imagine that a person could serve with any success as a mediator when at the same time he was admittedly trying to strengthen the position of one of the contending parties? Another faulty bit of logic appears when Acheson says that America tried to promote peace and progress along democratic lines while helping the KMT to extend its authority over as much of China as possible. To anyone with knowledge of how the Kuomintang worked, it was long obvious that you could not have both democracy and the KMT. If a condition of democracy prevailed, the Kuomintang would have automatically been excluded. Conversely, there could be no democracy in areas ruled by the KMT. The terms could be said to be mutually exclusive. The State Department might just as well have tried to get President Roosevelt and Hitler into the same bed.

Toward the end of his letter, Acheson charges that China has now fallen under a group of men who have "foresworn their Chinese heritage and have publicly announced their subservience to a foreign power, Russia ....." Our own personal opinion is that this is not an accurate estimate of the present situation. This, we believe, is borne out by perusal of the statements and speeches of leading Chinese Communist leaders. We venture that China will not become the servant of Russia because of the identity of political and economic beliefs any more than—indeed as much as—Britain will become the servant of America because of similar beliefs in democracy and capitalism.

* * *

ACHESON, then goes on to a surprisingly frank analysis of the present position in this country insofar as American policy is concerned. He says: "The unfortunate but inescapable fact is that the ominous result of the civil war in China was beyond the control of the Government of the United States. Nothing that this country did or could have done within the reasonable limits of its capabilities could have changed that result; nothing that was left undone by this country has contributed to it. It was the product of internal Chinese forces, forces which this country tried to influence but could not. A decision was arrived at within China, if only a decision by default."

The only possible addition which we might make to this paragraph would be a line to the effect that perhaps the day of decision was delayed a bit because of the efforts of the United States to influence the course of events. The civil war might well have been over already had it not been for American aid to one side—aid which Acheson estimates as being close to US$3,000,000,000 and which, as he points out, was comparatively far more than aid given to any other country during the same post-war period.

"And now," Acheson continued, "it is abundantly clear that we must face the situation as it exists in fact. We will not help the Chinese or ourselves by basing our policy on wishful thinking. We continue to believe that however tragic may be the immediate future of China and however ruthlessly a major portion of this great people may be exploited by a party in the interest of a foreign imperialism, ultimately the profound civilization and the democratic individualism of China will reassert themselves and she will throw off the foreign yoke. *I consider that we should encourage all developments in China which now and in the future work toward this end.*"

In the preceding paragraph Acheson said that the present decision was reached in China despite America's attempts to influence events to move in another direction. Coupled with his bitter condemnation of the KMT, it would seem that the Chinese people have thrown off a yoke, and that the present regime has come to power because the people supported it, while withdrawing support from the old regime. Thus, it would seem that anticipating a "revolt" at this point amounts to doing just what Acheson says America must no do—engage in wishful thinking.

The final sentence of this paragraph, which we have italicized, is one which should give all Americans residing and doing business in China pause for thought. It looks as if Acheson is proposing a policy of permanent hostility to the new regime. What that will mean to those Americans left in China is anybody's guess. It is obvious, though, that it will be of no help whatsoever.

* * *

FINALLY, Acheson issues a not-too-veiled warning: "In the immediate future, however, the implementation of our historic policy of friendship for China must be profoundly affected by current developments. It will necessarily be influenced by the degree to which the Chinese people come to recognize that the Communist regime serves not their interests but those of Soviet Russia and the manner in which, having become aware of the facts, they react to this foreign domination. One point, however, is clear. Should the Communist regime lend itself to the aims of Soviet Russian imperialism and attempt to engage in aggression against China's neighbors, we and the other members of the United Nations would be confronted by a situation violative of the principles of the United Nations Charter and threatening international peace and security."

To put it bluntly, Acheson seems to be saying that

the United States is not prepared to see any further advance of communism — or, perhaps, any change in the status quo—in the rest of Asia.

The implications of this paragraph are startling. In Indo-China, for example, a resistance movement against the re-imposition of French colonial rule has been in progress for the past four years. The movement is Communist led. Already it has achieved signal success and the days of the French are numbered. The expulsion of the French would now apparently mean war. In the Philippines, the Communist-led peasant rebellion has been spreading during the postwar years. Any greater success of the Hukbalahaps would presumably mean war.

Acheson seems to be drawing a line and saying that whoever steps across it must be prepared for trouble. This is a very dangerous challenge to lay down in Asia, especially in these days of social unrest and upheaval when the people of the various Far Eastern countries are in the process of eliminating the vestiges of foreign colonial rule and internal feudal oppression.

End Of An Incident

TWO weeks ago today the British sloop Amethyst escaped from the Yangtze River where it had been detained by the PLA since last April. The Amethyst, it will be recalled, was steaming up the Yangtze just at the time when the PLA was preparing to cross the river. It ran into this military operation and became engaged in a duel with PLA shore batteries resulting in the ship's being crippled. Several attempts at rescue by other British warships at that time failed.

As a result of this incident, feelings in both Britain and China ran high. The PLA forces involved charged that the Amethyst was helping the Nationalist Navy in attempting to prevent the People's troops from crossing the river. The British claimed that they had permission from the Nationalists for the trip and that they were only carrying supplies to the British Embassy in Nanking. While all reasonable people deeply regretted the incident, there was a considerable difference of opinion as to who was originally at fault.

Our view then—and now—was that regardless of just how or why the first shot was fired, the British authorities who were responsible for ordering the trip evidenced extremely poor judgment since nearly all observers were at that time agreed that a crossing of the Yangtze by the Communist forces was certain to occur within a few days. Regardless of whether the Nationalists gave permission, it was obvious that their control of the river was a very tenuous thing and likely to be extremely short-lived.

Until the end of July the Amethyst floated at anchor near the spot where she had been disabled. It is reported that several attempts at negotiating a settlement of the incident were made by Chinese and British representatives, although no official announcement has yet been made to clarify this report.

In any event the commander of the Amethyst decided to make a break for it and on the night of July 30 the ship moved off in the wake of a passing Chinese river steamer. When the two ships reached the Kiangyin Forts, a battle broke out. It is difficult to determine just exactly what happened since—again—the stories of the British sailors and the Chinese soldiers differed completely. There is even reported to be some confusion in the minds of the officers and passengers of the river steamer as to exactly what took place during the battle. The results, however, were clear. The river steamer was sunk, and the Amethyst escaped on down stream and eventually made her way to the open sea.

The commander of the Kiangyin batteries says the British sank the river vessel, while the commander of the Amethyst claims that he didn't return the fort's fire and that if the vessel were sunk it must have been hit from the shore.

* * *

THE recriminations put on the record by both sides have been many and strong. Sino-British relations have not been so strained for many a decade. There is, in our view, little to be gained at this point by a rehashing of the charges and countercharges or by a repetition of the details issued by various parties in an effort to piece together a picture of exactly what transpired, either at the time of the original incident or last week when the affair reached a climax.

There is always a certain amount of confusion surrounding battles of any sort and it is usually most difficult to obtain an exact, running account of what happened. Certainly this was the experience of all nations involved in the last war. It seems to us, however, that questions of who fired first last April, or who sank the Chinese river vessel, and all other details are basically beside the point. The main fact, we believe, is that the British erred, tragically as it turned out, in dispatching the ship up river in the first place. Thus, in large measure they must take responsibility for the unfortunate events that followed.

It might also be argued that the sudden flight of the Amethyst—obviously without permission from the Chinese authorities concerned—tended to compound the British Navy's original error and that, again, the British must be prepared to accept a major share of responsibility for the damage which ensued. This is true, we believe, even if further investigation should show that the river steamer was actually sunk by fire from the shore batteries.

* * *

THIS view, we realize, will prove to be unpopular with some members of the local foreign communities. However, this appears to us to be a quite logical stand and we refuse to be stampeded into forming a judgment irrationally based on emotional feelings.

A state of mind is being built up among some foreigners in China which causes them immediately to decide that in all conflicts between themselves and Chinese the other party is at fault. (There are also signs that a similar situation is beginning to develop among the ranks of some of the less responsible members of the Chinese community.) The "logic" of this type of reasoning is enhanced in the view of the foreign die-hards by the fact that the Chinese are at present engaged in setting up a new regime in which the leadership is largely Communist.

Many illegitimate complaints can be made to sound "reasonable" abroad when a phrase is added to the effect that this is "another example" of how bad conditions are in countries ruled by the Communists. However, there is a limit as to how far one may exploit this situation. This seems to be true even in the United States, the fountainhead of strength for the current world anti-Communist crusade. The Amethyst incident is a case in point. The *Associated Press*, in a dispatch from San Francisco last week, candidly reported:

"The British Government and Navy were out on a limb with the Amethyst because of the way she got into trouble in the first place. Many Britons still are dissatisfied with the explanations that have been given for what happened. They still do not see why she had to try to take supplies to the embassy in Nanking—right through the middle of one of the largest military operations in Chinese history."

The Amethyst incident appears to have dropped from the limelight—at least for the time being—by the fact that the ship is no longer lying in Chinese waters. Undoubtedly, the matter will come up for discussion and settlement in the future, probably at the time when British and Chinese representatives sit down to work out new treaties. By that time, it is to be hoped, tempers will have cooled off sufficiently so that an objective analysis of the facts can be made and blame placed where it belongs.

"Alarm for Washington" is the caption on this cartoon from the Giefang Rhbao, reprinted from the Soviet magazine "New Times." It shows the signers of the Atlantic Pact fleeing before a dove whese message reads: "People fighting for peace."

New Business Pattern

MUCH has been made over the disruptive effects which the blockade is said to have on Shanghai's economy. Even more has been made over the old saw that there is no substitute for practical business experience and that since the Communists admittedly lack this "experience" conditions are bound to deteriorate. The panacea frequently offered involves two main points: 1) Obtain foreign help to break the blockade and then reach some satisfactory compromise as regards Communist economic theory so as to qualify for foreign (American) financial and other aid. 2) Call in both foreign and Chinese businessmen to show the new officials how to run things in a businesslike fashion.

It is certainly true that the blockade has upset the city's normal economic life since Shanghai has long been the port of entry and exit for the Yangtze Valley. The lack of a brisk import-export trade has also caused quite a slump in the city's speculative and blackmarket centers since much of the essentially idle capital refugeeing here was used for gambling in popular foreign and domestic commodities. The serious effects of raw material shortages for those local industries which depended upon imported supplies is well known.

The question of the lack of "business experience" on the part of the new authorities is quite interesting in that it has yet to be proved that a businessman is any more capable of running a government than anyone else. Businessmen may run a government, as well as private business, quite well so long as everything goes along smoothly. Once a hitch develops, such as a serious depression, private businessmen are the first to yelp for aid from the government, which, if run by businessmen, doesn't know how to help either them or itself. The Hoover administration in America was a good example of this.

However, it is true that the new administrators of Shanghai are short of experience in dealing with a highly complex, inter-related economic setup such as exists in this city. It is most encouraging however, to note that they frankly admit this and have announced their determination to learn. During the learning process they have leaned heavily upon Shanghai's businessmen. Some weeks hardly a day goes by without the calling of a meeting between a group of financiers, traders, industrialists, or other specialized groups of businessmen and various government officials. Certainly, the new administration has shown more interest in listening to the views of the Shanghai businessman than any previous one.

By such methods, plus the application of common sense, the authorities have set about the task of tiding Shanghai over this critical period. While the crisis appears in many ways to be deepening, and while there is no relief in sight for the immediate future, there are indications that the authorities' attempts to reintegrate Shanghai into the economy of the hinterland are bearing fruit.

The following headlines, culled at random from the Chinese press during a recent three-day period, indicate to some extent the results of the current drive to turn Shanghai's face away from the ocean and toward the interior of the country.

> Fur And Hides Sent Here From Chahar In Exchange For Cloth—Cigarette Paper Sent To North China — Shanghai Exchanges Soap for Chekiang Rape Seeds—Local Factories Receiving Increasing Orders From Northeast And North China—Wool From Inner Mongolia Coming To Shanghai—Shanghai-Tientsin Trade Picking Up—Raw Cotton Arrives From Central China—Camphor Powder On Way Here From Taiyuan—Local Soap Industry Purchasing Raw Materials From Interior Instead Of From Abroad.

Such items appear day after day in the Chinese press. An attentive reader may follow the progress of an important shipment step by step as it moves to Shanghai, say, from Manchuria, or vice versa. While admittedly it will be impossible to change Shanghai's economic set up immediately, there is evidence that steady progress is being made.

It is true that substitutes for some foreign products will be difficult or impossible to find within the country at this time, perhaps even for years. This is a problem which will be impossible of solution until such time as the blockade is broken. For really critical items this should not be too long since the KMT's "curtain" will be pierced once Canton falls and contact can be made with Hongkong.

However, many imported items have come into such general use that they have become accepted as essential. This difficult period will show us which are really essential and just how much improvisation can be made.

The immediate future will undoubtedly be tough and many enterprises will fail to survive. However, so far as we can tell, there is no justification for adopting the view that everything is going to pot and that outside aid must be sought at any price if the situation is to be saved. In the years to come the city's economy may stand on a sounder basis as a result of the current stringency which will prune away some of its superficial appendages.

25 Years Ago In *The China Weekly Review*

Shameen Strike Still On

August 9, 1924

The 16th day of the Shameen Chinese strike, at the end of July, saw very little change in the situation. . . .

Chinese depositors with the Shameen foreign banks were unable to withdraw their funds in many cases due to the absence of clerical staffs familiar with the details and identity usually involved. . . .

The clerical staffs of the Shameen firms have their own organization, aside from being a part of the committee now in charge of the strike. The leaders of the clerical staffs have advised against resuming work with the firms and even have been temporarily removed into the Chinese city so as not to weaken the union of the strikers. . . .

The Canton Federation of Labor has opened a general subscription list for funds to support the Shameen strikers.

* * *

China's First Ambassador

L. M. Karakhan presented his credentials as Soviet Ambassador to China to President Tsao Kun on the morning of July 31. All the Cabinet ministers were present, which was slightly more elaborate than has been customary on the reception of a Minister.

10 Years Ago In *The China Weekly Review*

Japanese Activities

August 5, 1939

The Japanese military authorities at Tientsin have appointed the White Russian Major-General Alexander Eglau as principal of the Japanese-sponsored Russian Military College which all Russian males in the Tientsin district must attend. Eglau served in the Russo-Japanese and World Wars and for a considerable time has been head of the White Russian Anti-Comintern Party organized by the Japanese Army in northern Chinese cities and also in Manchukuo.

* * *

German Mission To Tibet

The German expedition to Tibet returned to Munich on August 5 after an absence of eighteen months. The group, consisting of five members, were the first Germans to visit Lhasa. Dr. Schaefer, leader of the expedition, said that they had experienced numerous difficulties due to dissemination of rumors that they had been entrusted by Hitler with a political mission. He said, however, that after they had convinced the British Military Mission at Gyantse that the expedition was purely scientific, that they had then received a great deal of friendly help from the British authorities in India.

The Future of Shanghai

Charles J. Canning

THERE is an atmosphere of gloom in many circles in Shanghai these days. Business is bad, industry is slowing down, salaries are being cut, and many people are losing their jobs. Shanghai is a changed place and there are those who wonder if the People's Government can handle such a complex economic problem and if, under their management, the city will ever regain its old, pre-war prosperity. There are even some who think, in the light of their current difficulties, that things weren't so bad under the Kuomintang and who cast a longing eye at the "good old days."

Gone, indeed, are the "good old days" when ball rooms, swank restaurants, ritzy hotels and first-class amusement resorts did a roaring business while bona fide industry and commerce trembled on the brink of bankruptcy; when government bureaucrats and people with "background" could make easy money and become multi-millionaires overnight simply by engaging in speculation, hoarding, and black-marketeering while the *lao pai hsing*, groaning under the back-breaking load of taxation and facing mass unemployment, tried to keep body and soul together; when smartly-dressed Chinese ladies and society girls and "high-class" Chinese gentlemen who speak flawless English, clinked glasses and shouted *kan pei* with foreign dignitaries while Chinese coolies, rickshaw pullers and pedicab drivers were kicked around by the police as they hovered at the entrances of dance halls and expensive restaurants; when foreign sailors had a "good time" in Shanghai, spending money like water and bringing "prosperity" to cabarets and cafes and dance halls and brothels; when top Kuomintang government officials and army brass sent their ill-gained gold bars and US currency notes, their concubines and their pet dogs to Shanghai for "security" reasons, thus creating big spending and an artificial boom. These were the times for the defenders of the old order. But they are no more.

Pertinent Questions

Shanghai as a paradise for adventurers is a thing of the past. Times have changed, probably beyond recognition, and will continue to change. To moan over the passing of the "good old days" is like trying to turn back the clock.

But what has the future in store for Shanghai? This is the question both foreigners and Chinese are asking, for in the past Shanghai was more foreign than Chinese and its position was that of a cosmopolitan city, an international trading port.

It is true that Shanghai has lost much of the "prosperity" of the pre-liberation days. The question, however, calls for more careful study. We must look more closely into the root of the matter if we are to put the question in proper perspective.

For this purpose, we think it necessary to ask the following pertinent questions: 1) What kind of "prosperity" did Shanghai have before its liberation? 2) How was this prosperity created? 3) Was it good for the overwhelming majority of the people?

It is common knowledge that Shanghai's "prosperity" under Kuomintang rule presented a shocking contrast to the ever-deepening economic crisis and bankruptcy in the various provinces in the interior, particularly in the countryside. Seeing that it was unsafe and virtually impossible to do business in the interior as the result of the rapid spread of the horrors of war, social disturbances, rampant banditry, and the economic debacle, people with money and/or position, such as panic-stricken government officials, speculative businessmen and manufacturers, scared landlords and rich merchants, fled to Shanghai from the provinces. This resulted in a steady flow of population and refugee capital into Shanghai. Concentration of a big surplus population and a great amount of idle capital in Shanghai created an abnormal boom.

Thus, it will be readily seen that Shanghai's pre-liberation "prosperity" was not a sign of a sound and prosperous economy. It was built on the economic dislocation in the countryside. As some observers put it, Shanghai danced merrily while the rest of China wallowed in the mire of bankruptcy and starvation.

House of Cards

Beneath the surface of this artificial prosperity there have long been startling signs of economic bankruptcy in Shanghai. With the exception of speculation, hoarding and black-marketeering, business in general was bad. A good many business and industrial establishments had gone to the wall. Wild fluctuations in commodity prices, shortages of raw materials and operating capital, and a sharp shrinkage of markets due to the disastrous decline in the purchasing power of the general public combined to cause endless difficulties for the businessmen and industrialists. As a matter of fact, most factories and mills operated on a day-to-day basis, having the greatest difficulty in managing to live from hand to mouth.

Some people held the view that Shanghai was an oasis in the wide desert of Kuomintang China. But Shanghai was isolated and its economic dependence upon foreign countries was notorious. In the few months before its liberation Shanghai largely relied on ECA shipments of rice and raw cotton for feeding its population and keeping most of the Chinese cotton mills running.

In a nutshell, Shanghai's "prosperity" of the pre-liberation days was built on two props: economic crisis in the interior and foreign aid. The moment these two props were removed, Shanghai's "prosperity" came to an end.

This is exactly what has happened to Shanghai after liberation. Now that most of the cities along the Yangtze River have been liberated, many people who in the past came to Shanghai for "safety" are returning to their homes in the provinces. Kuomintang government officials and bureaucratic capitalists have gone to Formosa, Hongkong or Canton carrying with them their gold bars and foreign exchange holdings. This mass exodus of population and capital naturally affects Shanghai's artificial prosperity. Apart from that, suspension of foreign supplies and international trade as the result of the blockade has knocked away another prop of Shanghai's abnormal prosperity.

As we have already pointed out, Shanghai's "prosperity" before the liberation was a symptom of China's economic illness, and not of a sound national economy. Some economists quite appropriately described this kind of "prosperity" as a cancer which must be removed if China's economic life is to be restored to normal health.

Treaty Port Influence

China is a vast country and there exists a marked unevenness in the distribution and development of Chinese industry and economy. Generally speaking, China's industry and banking are concentrated in the coastal provinces and particularly at the so-called treaty ports, with Shanghai heading the list. The vast areas in the hinterland remain underdeveloped or undeveloped, economically, industrially, and culturally. These treaty ports exercise considerable influence on the economic life in the provinces in the interior. In this connection it must be borne in mind that the said treaty ports have long been under greater or lesser influence of the various foreign Powers.

The economic reconstruction program of the new China under the leadership of the Chinese Communists calls for a tremendous expansion of every branch of China's national

"Only Independence Means Freedom" is the title of this cartoon from the Giefang Rhbao, which shows how the economy of the old Shanghai "depended" upon imperialism but the new Shanghai will stand on its own feet.

economy throughout the length and breadth of the country in order to raise the living standard of the Chinese people. Therefore, concentration of capital and factories at the treaty ports, which results in a top-heavy economic structure, must be corrected.

Moreover, China must put an end to her economic dependence on foreign countries if she is going to be a really independent country. In this connection, it must be clearly understood that economic independence is just as important as political independence. No nation can be politically independent if it is still tied to the economic chariot of foreign countries. Therefore, the achievement of economic independence is of the same importance as the political task of liberating China from foreign domination. With this end in view, Shanghai's economic dependence on foreign countries must be ended.

This is the reason why the local authorities have embarked on a gigantic program of rehabilitation and reconstruction for Shanghai.

Even if there were no blockade, it would still be necessary to reconstruct Shanghai's economic life. Bearing this point in mind, we can easily understand that the planned evacuation of surplus population and industrial plants from Shanghai to the interior is not merely a passive measure to meet the present "depression" during the transition period. On the contrary, it is a positive step toward reconstructing the basic character of Shanghai's economic life-from a semi-colonial port and a speculative economic center to a fully independent port and a sound economic center by strengthening the economic ties between Shanghai and the rest of China, particularly the rural districts. This is part and parcel of China's long-term national reconstruction program.

The place Shanghai will hold in China's economic life under the New Democracy is expected to undergo a profound change. When the national government of the Kuomintang was located in Nanking, Shanghai was important politically as well as economically. Now that the influence of certain imperialist powers has been wiped out and the new democratic coalition government is expected to be formed in Peiping, Shanghai is bound to lose its political importance.

Moreover, present indications are that the center of gravity of China's industrial reconstruction will be located in Manchuria and North China where the necessary conditions for such reconstruction are more favorable than anywhere else. Shanghai lacks such prerequisities as coal, power, and vital raw materials. Shanghai is dependent on other places for its supply of raw materials and for markets for its manufactured goods. Besides, from the viewpoint of national defense, the concentration of industry in Shanghai is extremely dangerous.

However, to say that Shanghai will lose much of its preliberation "prosperity" and importance does not imply that Shanghai will eventually become a ghost city. Shanghai still occupies an unusually important place in China's economic life. It will retain its unique position as China's leading port of international trade. It is of course true that with the shift of the political and industrial centers to the north, the ports in North China and Manchuria will assume greater importance. But for a long time to come no port in the north can match Shanghai in carrying on foreign trade. Most ports in the north are ice-bound in winter and it will take a long time to expand their facilities, including wharves, warehouses and office buildings, to meet the requirements of growing trade and shipping. Moreover, as the Wuhan area around Hankow, the "Chicago" of China, grows in industrial importance, Shanghai will be the port through which goods to and from this region will flow.

Shanghai will still remain a key center of China's light industry. Shanghai's industrial equipment and technical know-how are second to none in this country and they have their proper role to play.

Shanghai thus has a bright future. Once the whole of China is liberated, communications fully restored, and rehabilitation in the rural areas successfully carried out, Shanghai's serious problem of raw materials and markets will be solved and its prosperity will be genuine.

Revolution is a long process of difficult and arduous struggle. It cannot be expected to work miracles overnight, nor can it be expected to play all things to all men. The privileged few stand to lose and the overwhelming majority of the people stand to gain. It simply cannot be helped.

The Chinese revolution has seen more difficult days during the past twenty-odd years. But it has kept forging ahead all the same. It is now heading for a sweeping victory on a nation-wide scale. Of course it will take time to overcome the difficulties now confronting Shanghai. But there is no doubt that such difficulties can and will be overcome.

"NEWS ITEM" OF THE WEEK

WASHINGTON, July 18 (AP)

In this country does a man have the right to work or quit his job if he dislikes the working conditions?

"Yes," you say. "In this country every man is free to do as he pleases so long as he doesn't hurt someone else."

But does a man in an industry which affects the public health and welfare, like a railroad, have a right to quit if he dislikes his job?

Again you say "yes," for the same reason as before. But then comes a bigger question:

Do all the railroad workers, banded together in a union, have a right to quit their job in a strike over working conditions.

Remember, before you say "yes," what a railroad strike might mean: if it lasted long enough it might starve the nation and cause a revolution against the government which failed to stop it and get food to the people.

Faced with that, you may say: "No. A union in a vital industry like that should not be allowed to strike."

Contradiction

But isn't that contradicting what you just said a minute ago, when you said an individual has a right to strike if he doesn't like a job?

Yet, when it involves a collection of such individuals in a union, you say "No." How do you draw such a line?

Does an individual, in your mind, lose his individual rights when he and other individuals act upon their individual rights collectively?

You may answer something like this:

"The general welfare comes first. An individual striking in a vital industry won't hurt the general welfare. Nor will it be hurt by a whole union striking in a non-vital industry.

"But when a strike by a union in a vital industry can hurt, or even destroy the general welfare, I say such a strike should not be permitted."

But if you compel an individual, or a union, to work at any kind of job, isn't that a form of slavery? Isn't forcing a man to work against his will contrary to the Constitution which forbids "involuntary servitude"?

Question of Freedom

You may argue: "This is a free society, I know. But no man's freedom in America is complete. Freedom here is limited and it's limited for the sake of what I just said: the general welfare.

"For instance, there's a law against murder. So that's a limit on the freedom of any man to kill. But that limit on everyone's freedom increases everyone's freedom from fear of being killed. So we yield some freedom to gain some freedom.

"So our problem in this country is how to preserve the most freedom even when we find it necessary to restrict some freedoms for the general welfare.

"A big strike that endangered the general welfare, or led to a revolution that brought on a dictatorship and an end of all freedom, should not be allowed."

Yes, but a strike is labor's biggest and final weapon in trying to force an employer into an agreement on wages and working conditions.

And labor fears that once there is a law forbidding strikes in big, vital industries, inch by inch this power to stop strikes might spread to the most non-vital industries and in time prevent all strikes of any kind.

Congress Considering New Law

This is one of the problems Congress faces in trying to figure out a labor law that will protect the freedom of individuals and unions and at the same time protect the general welfare from the damage of a big strike.

Because of pressure from the unions and the need to protect freedom, Congress is unlikely to pass a law forbidding big strikes altogether.

It probably won't go further than a law that delays a big strike, to give more time for settlement, and then, after the delay, permits a strike.

Some day, in a moment of crisis, Congress may go all the way and pass a law that forbids outright any strike in a big, vital industry. That time doesn't seem to be now.

—*North-China Daily News*, August 4, 1949

Some day, too, the Associated Press may go all the way and decide to write nothing but editorials.

China's New Universities

Y. H. Hpain

SIDE by side with the slow-moving educational reform in China's old universities has been the introduction of new universities and institutes to train personnel for the administration of the new China. Five such institutions have been set up in North China: The University of Political and Military Science, North China University, the University of Revolution, the Institute of Foreign Languages and the Institute of Foreign Affairs. By June of this year, each had a large and growing enrollment.

To these new schools come former students, workers, government functionaries, office workers, small businessmen, and soldiers, persons of various political leanings, to be trained for service in all branches of the new government and to work on China's railroads, in her customs service, public health service, public safety bureaus, etc. Some of them receive six months of training, some even less. The task of running the nation well and guiding it in the transition into socialism rests heavily on these newly mustered and hastily trained recruits. The question arises, will they be capable of playing their part?

In the Peiping area, the old universities with their long established traditions make this question even more pertinent. Hundreds of students have left the regular universities to join the new ones. Tsing Hua University, for example, which had an enrollment of 2,000 at the time of Peiping's liberation, now has only 1,700 students. The number of withdrawals in other less-known universities is even higher.

Unequal To Task

Indeed, the old system of education, particularly in the arts and law colleges, is unequal to the task of coping with the new situation. Formerly, for instance, Adam Smith's theory of economics was the backbone of the whole study of economics, but now it has become obsolete. The old system of law is being denounced as reactionary. Political and social sciences of the West have become insignificant in the face of dialectical materialism. Everything that China learned from the West in the past several decades now has to be revalued and readmitted from the Marxist viewpoint. There is much to reform and limited time and energy to do it. Perhaps the government realizes how hard it is for older men to adapt themselves to the new order, for ample time is being given for reform in the arts and law colleges while at the same time efforts are being concentrated elsewhere for training the younger generation.

Unlike the old loose framework of education, in the University of Revolution each class has 250 students who form themselves into groups of 25. Each of these groups is then again divided into small groups of eight. The class is directed by a chief teacher and six assistants. The length of study is six months, and the subjects taught are Marxism-Leninism, fundamental problems of the Chinese Revolution, government policies, and the founding of the Communist Party. Lectures are given from time to time by eminent persons both in and out of the government.

In the small groups what is called "criticism and self-criticism" is practiced. One may point out his or another's defects in the meeting and suggest points for improvement, or confess what he has done during the Nationalist regime and repent. This has brought out one amusing point: The Communists are atheists, yet the very weapon of religion—confession and repentance—is used to convert their former political enemies. So far, religion is tolerated and the religious beliefs of students are never questioned.

In the Institute of Foreign Languages, students undergo from one to three months of political training which takes 70 percent of their time. The remainder is spent on their chosen course—English or Russian. After this initial period, the emphasis is shifted and students spend proportionately more time on language study and less on political training.

No Miracle

While the Communists are not magicians who can condense the work of a four year course into a period of three or six months, they do know how to make the most of an intensified course. Whereas formerly a student might spend six years in middle and high school studying a foreign language and another four years in college and still emerge with a poor working knowledge, in the new institute high school students who had never heard a word of Russian appeared after two years of training speaking Russian with great fluency. To the Communist educators this is no miracle. Using self-criticism, they are able to eliminate defects and find the most successful teaching methods. Also, they are realists who make use of what is on hand. There are countless persons who have a good knowledge of English—why not give them the proper political training?

The size of the personnel running these new institutions is astonishingly small. The Institute of Foreign Languages in Harbin, for example, which has an enrollment of 1,200 students, has a staff of 16 persons, including principal, dean and office staff. Tsing Hua University, in contrast, with an enrollment of 2,000, has a staff of 300 plus a sizeable number of professors. So both in material and manpower the new type of school is extremely economical.

But less working hands does not mean less responsibility. In these institutions help is always at hand for a student. A newcomer who has just reported to the school registrar may be surprised to find the registrar carrying his luggage and showing him to the dormitory. And he may be even more surprised to find that the same man is always ready to listen sympathetically to personal problems. While the head of the Institute is responsible to the government and to the party, he also reports to his students at regular intervals on the state of the school administration, the errors and progress made in teaching, the scholastic records of each class, the curriculum and plans for improvement. He accepts criticism from the students, whether favorable or unfavorable.

Methods of teaching vary as circumstances require. However, the old method of lecturing is giving way to discussion meetings, and in foreign language classes the direct teaching method is employed with a Chinese tutor to explain grammar. Both in teaching and study, the practice of criticism and self-criticism is used. I have attended classes where the students' advice was accepted by the teacher with great sincerity, and I also participated in a meeting which lasted for six successive days at which the authorities of the entire school were present to hear the students' comments on the school administration.

Coarse Food, Hard Work

In these new institutions, students are supplied with the necessities they require, including a uniform, shoes, pen, paper, soap, etc. Their food subsidy amounts to an equivalent of 2 1/5 pounds of millet per person per day. In addition, an amount of cash equivalent to 20 catties of millet is given each student monthly as pocket money.

On the other hand, certain things are expected of the students. They are marshalled out to the fields to grow crops, and these sometimes yield as much as one-third of the food consumed in the school. They are also expected to perform such household tasks as cleaning cooking utensils, sweeping the floor and helping cook. While Tsing Hua, Peking and the other universities are wheeling slowly toward the new goal, the young men and women who have left these universities are whirling toward it in these new institutes. Despite the coarse food and hard work, few of these students wish to return to the great universities. They prefer to stay close to the workers and peasants and join with them in the fight for a better world of tomorrow.

The Tiger Problem

A Fable by Chang Tien-I (張天翼)

Translated by C. M. Chang (張振楣)

ONCE there was a bachelor of literature who was eaten by a tiger and became a ghost working devotedly for the tiger.

But the tiger's sphere of activity grew narrower and narrower by the day, for people grew wise to him and prepared traps for him in the bargain. So the tiger sent the ghost to work outside the mountain.

By the time the ghost arrived at a village at the foot of the mountain, it was already evening. He saw several children playing on the stalk-pounding field and he went waddling forward and said smilingly:

"With such fine moonlight why don't you go and play on the mountain?"

The children saw that he looked like a gentle and scholarly man, wearing a square cap and holding a folding fan in his hand. No one was afraid of him, and one by one they gathered around him replying: "There is a tiger on the mountain."

"What is a tiger to be afraid of?"

"He will eat human beings."

"How do you know that the tiger will eat human beings? Have you really ever seen it in your life?"

"The grown-ups told us so."

The square-cap uttered a sigh of pity:

"Ah, that's it! You have only heard people say so and have never seen it yourselves. How can you decide that it is true? You are young yet and you ought to make your own way yourselves. Don't take people's words for granted and fall into their traps like a sucked."

He waved his fan and went on: "As a man of the world, I advise you not to follow people blindly. For instance, one school insists that tigers will always eat human beings, while another school upholds the view that tigers may eat human beings, but not necessarily always, for some of them are also merciful. Which school is right after all is rather difficult for us to decide. You should have independent thoughts. Is it right for you to believe in the theory of tigers' eating human beings just because you have heard people say so? You should first make a thorough study without prejudice and then carry out some experiments yourselves . . . . Go and walk on the mountain and see if the tiger really eats human beings."

* * *

SEEING that the bachelor of literature had not returned after a lengthy period, the tiger feared that something might have happened to him, so he sent another ghost, a member of the gentry, to investigate.

When the second ghost arrived at the village at the foot of the mountain, the first ghost had finished with his lesson to the children and was just on the point of educating some of the grown-ups.

TRANSLATOR'S NOTE

The author of this story, Chang Tien-I, is a contemporary writer, humorist and satirist. In this story, which appeared in its original form in the *Story Monthly* in Hongkong last October, his parable is aimed at false liberals such as Hu Shih, Liang Sou-ming and others who, while declaring that they belonged to a third party, actually supported the Kuomintang. Indeed, the tale is by no means limited to China but in a broad sense may be applied to false liberals all over the world who claim membership in a third party but who are in fact working for Tigers. Like ghosts, the author concludes, they will fade with the dawn of a new regime.

When he saw the gentry ghost, he knew he had a helping and he began to speak more eloquently: "You are right, of course, to want freedom. But you should not interfere with the tiger's freedom."

When he reached this point, he saw that the member of the gentry had drawn near and he hastened to make a bow to him. Both pretended that they did not know each other and they exchanged names and murmured polite phrases. Then the bachelor of literature gave a detailed account of the problem that they had been discussing and asked the member of the gentry for his opinion.

According to the bachelor of literature, he himself was a liberal from top to toe; he had gripped the tradition of liberalism and had never for a moment let it go.

"To tell you the truth, all my forefathers and fore-mothers for generations past have been good-quality-and-fair-priced liberals. Stupid as I am, I know the real meaning of freedom."

"No doubt, no doubt," the member of the gentry followed up. "With such a liberal lineage, there is no doubt that you know."

"So when I see people here wanting to catch tigers and deprive them of their freedom, I feel that I should not hesitate to educate them."

"Yes, yes, you must educate them."

The bachelor of literature then turned to the country folk: "Is it not so? Even this man of the gentry, a person of honor and prestige, shares my views. To make a long story short, revolutionary steps are no good; the tradition of liberalism cannot go side by side with revolutionary steps."

The member of the gentry quite agreed with him, and he began to explain what it was that he advocated: "Do not use violence. Do not return evil for evil."

"Just to the point, just to the point," echoed the bachelor of literature loudly.

"Here is a remarkable truth," the member of the gentry continued. "Some time ago, there was a saint in a western country; what he advocated was just this. It is a pity that the people of that country did not listen to him later on. But we have to follow his advice, for that saint was really remarkable. When he died, even the tigers begged for some of his bones for worshipping purposes."

* * *

THE bachelor of literature applauded. Seeing that the country folk were showing no reaction, he asked purposely: "But some uneducated people, perhaps through stupidity or perhaps because they have been fooled, think in this manner: 'If I do not use violence to check evil, I shall never have freedom.' How do you reply to this?"

The member of the gentry gave a clear-cut reply: "If it is necessary to gain freedom through violent means, I should prefer to give up freedom! I would rather let tigers stride freely everywhere and let ourselves be shut up in rooms and not come out and stop all our activities than give up freedom. I would rather that we gave up the freedom to exist and let the tigers eat us freely. I would rather . . . . "

The bachelor of literature, fearing that the flaws in the gentry ghost's speech might be revealed, hastened to interpolate: "As to eating human beings, this should not be taken up generally. There are good tigers as well as bad tigers. Bad tigers, of course, will drink blood and eat flesh, but we can get along well with good tigers. Sometimes even a good tiger may not be able to avoid eating human beings, but this is entirely a reward for his exertion and toil and there is nothing improper in it. In such cases there is need for another treatment."

Then the bachelor of literature cited a practical example: He himself had seen a good tiger which all foxes and deer obeyed. This tiger had never encroached upon their freedom; they only paid him a monthly tribute of enough foxes and deer to fill his stomach.

"This is a perfect system," the bachelor of literature concluded. "Since it has been in existence, every fox and deer has become peaceful and free. Why don't human beings follow their example?"

The few country folk kept silent as ever. The bachelor of literature and the member of the gentry winked at each other and each uttered a sigh.

"Anyhow," said the member of the gentry, "the evil of using violence is

worse than that of eating human beings. It is going too far, of course, to kill all in the world for the benefit of one, but it is equally improper to kill one for the benefit of all. Do you think I am right, sir?"

"Excellent, excellent," the bachelor of literature said, making several bows in succession. "Nothing should go to extremes; we should take all points into consideration. I am a hereditary liberal and talk democracy and speak for the majority at all times. If we let only the country folk have freedom and not let the tigers have freedom, that would be too radical, too reckless on the part of the majority."

"You are right, you are right. It is necessary to think out a policy of mutual benefit."

The bachelor of literature looked all around and bowed respectfully to the member of the gentry:

"I implore you, honorable sir, on behalf of these country folk. They are uneducated and naturally, having no learning, they are unable to think out a proper course. Have pity on them, my honorable sir. I implore you to show them a way out and let them give up evil and gain good."

In spite of the indifference of the country folk, the member of the gentry followed up and replied: "The only way out is to persuade the tiger with nice words. We must convince him to change his mind and give up hurting human beings from now on."

"Suppose he would not listen?" asked the bachelor of literature, casting a glance at the country folk.

"If he does not listen, let us inspire him by our sacrificing spirit," said the member of the gentry as eloquently as though he were reciting a lesson.

"Send him cattle and let him eat, send him human beings and let him eat, kids as well as grown-ups. Let him eat them all, without any defense or grumbling on our part. Watch how many cattle and human-beings he can eat mercilessly, whether he has any consideration for the unfortunate and see how he will be smitten by his conscience. Let others trample on us in the cruelest way, let them oppress us and make it impossible for us to exist. Yet let us set an inspirational example. Thus the world will be at peace."

* * *

UPON hearing these words, the bachelor of literature admired the gentry member's remarks very much. He stated that he was helping neither the tiger nor the country folk but was speaking from the standpoint of a third party. According to him, the member of the gentry and he held the same attitude . . . .

"Then we of the gentry and scholar class of the third party should organize a grand league; otherwise, how can the world be at peace!"

The member of the gentry agreed absolutely, of course, but there was something which he wanted to point out to the bachelor of literature, so he said in a whisper: "But we will have to hurry with the discussion for the cocks will begin to crow soon."

The Week's Business

ALTHOUGH the coastal blockade continues, efforts are being exerted by local importers and exporters to resume trade. Considerable attention has been paid to the possibility of developing domestic trade between the cities and rural districts. Suggestions have also been advanced by foreign trade circles to export supplies abroad via Tientsin. As an optimistic sign in this connection, the East China Foreign Trade Control Bureau has collected 125 piculs of hog bristles.

An important step taken by the financial authorities during the week was the resumption of the conversion of foreign currencies, a measure taken in consideration of those still holding foreign exchange. On August 8 and 9, more than 3,000 persons were reported to have gone to the Bank of China to dispose of their foreign currency notes.

Widespread declines were registered in commodity prices during the week under review. The drop was especially heavy in rice prices. On Monday and Tuesday alone, quotations in the local rice market averaged decreases of some JMP5,000 per picul. The liberation of Changsha and Hengyang, both rich rice producing regions, and the abundant supply of various commodities contributed to the bearish trend prevailing in the market during the week.

The decline in quotations was meanwhile accompanied by the unusual phenomenon of an easy money situation which in the past would have stimulated prices. This is an indication of the degree of normalcy regained by the local market.

The curb interest rate on loans came down from around JMP20 per mille per day to JMP12 by August 9, and at this rate there were few borrowers. Local commercial banks also reduced the interest rate on short term deposits to between JMP12 and JMP13 per mille per day.

According to a market review by the *Giefang Rhbao* (Liberation Daily), the margin of fluctuations in commodity prices was narrow during the week ending August 6.

The paper said the wholesale price index of essential commodities was 3,412.9 as against 3,309.9 of the previous week, or an increase of 3.1 percent. Over the weekend, the wholesale price index of essential commodities actuallly dropped by 4.8 percent.

For export supplies, the wholesale price index for the week was 1,626.5 as against 1,536 for the previous week, or an increase of 5.9 percent. The wholesale price index of export supplies over the weekend represented an increase of only 0.60 percent over that on July 30.

In the retail commodity field, which reflects more closely the general market trend, the price of matches went up by 10 percent, sugar by 6.1 percent, Dragon Head sheeting by 1.7 percent. The quotations of bean oil, beef, eggs, coal briquettes and socks remained unchanged, while those of shirts dropped by 1.7 percent, coal by 6.8 percent, pork by 8.3 percent, salt by 10 percent and wheat flour by 11.7 percent.

The price of the four daily necessities: rice, peanut oil, coal briquettes and Dragon Head cloth also maintained a steady tone. On August 1, the average price of medium grade *pai keng* in the Nantao and Chapei rice markets was JMP55,000 per picul, on Tuesday JMP52,000, on Wednesday JMP49,000, on Thursday JMP50,000, on Friday JMP52,000, on Saturday JMP52,500.

Among the causes for the steady trend in the local market is the smooth interflow of supplies between Shanghai and the interior cities. Raw cotton from Hankow, wheat and soya beans from Shantung and North Anhwei, rice from north and east Kiangsi and other supplies are all being transported to Shanghai under a well-organized plan. In order to circumvent the blockade, the trade authorities of East and Central China have mapped out preliminary plans for the intensification of the interflow of supplies. The Shanghai Trading Company has also signed contracts with the trading companies of other cities and districts.

The turnover at the Shanghai Clearing House showed increases in the number of checks but decreases in the amount. On August 6, the total turnover was JMP 21,242,556,431, numbering 56,273 checks, and dishonored checks amounted to JMP87,439,063, numbering 497 checks. The People's Bank registered a slight credit balance during the past week.

In view of the financial stabilization, the deposits at the People's Bank have increased. The People's Bank has opened special accounts during the past week to handle money transactions of the Bank of China and the Bank of Communications.

Following is a listing of representative commodity prices for the past week:

	Aug. 3 JMP	Aug. 10 JMP
Silver Dollar	1,600	1,600
20's Yarn	535,000	575,000
12-lb. cloth	27,800	27,750
Rice	56,500	53,500
Peanut oil	69,000	64,000
Coal briquette	7,000	7,000

NEWS OF THE WEEK

Changsha and Hengyang Liberated; US Issues White Paper On China

THE People's Liberation Army made considerable headway during the past week in its general offensive against the remnants of the Kuomintang armed forces. The most spectacular gains were scored in Hunan Province. As the result of the arrangements made with General Cheng Chien, Governor of Hunan, and with General Chen Min-jen, Commander of the First Army Corps of the Kuomintang armies, the People's Liberation Army liberated Changsha, provincial capital of Hunan, without firing a shot. This peaceful take-over saved the civilian population from suffering any loss in life or property. Following on the heels of the occupation of Changsha, several key centers in southern Hunan such as Hengyang, Hengshan and Shaoyang fell in quick succession into the hands of the People's Liberation Army. Chuchow, situated 30 miles southeast of Changsha, had already been taken by the People's Liberation Army.

The dramatic turn in the war situation in Hunan is generally expected to produce far-reaching consequences. Strategically, the capture of Changsha, Hengyang and Chuchow has left the doors wide open for the People's Liberation Army to drive on Kwangtung and Kwangsi. Politically, the defection of the governor of Hunan and the First Army Corps of the Kuomintang armies has further undermined the morale of the armed forces of the Kuomintang. Well-informed observers are inclined to believe that the Kuomintang can offer virtually no resistance to the thrust of the People's Liberation Army on Canton.

As we predicted last week, Pai Chung-hsi withdrew his troops to his home province of Kwangsi. According to the *Ta Kung Pao*, after the liberation of Changsha, Pai Chung-hsi's Kwangsi troops fled pell-mell into Kwangsi. It is further reported that Pai is planning to send part of his Kwangsi troops to Yunnan and Kweichow in addition to consolidating the defense of the various districts in western Kwangsi.

Back in Canton, the refugee government of the Kuomintang was busy shipping documents and property to Chungking and Formosa in anticipation of any lightning drive southward by the People's Liberation Army.

In coordination with the impending southward drive of the People's Liberation Army, a Kwangtung-Kwangsi Border Column of the PLA was formally setup on August 1, with General Liang Kwang as commander. This border column is made up of guerrilla units which have been operating in the border districts during the past six years.

In the northwest, the People's Liberation Army entered Kansu province from Shensi after capturing Tienhsui on the morning of August 3. Tienhsui is the political, economic and cultural center of southern Kansu and is also the terminus of the Lunghai Railway. Another unit of the People's Liberation Army, driving westward along the Sian-Lanchow highway, liberated Lungteh on August 1. It is believed that more fighting will take place in Kansu in the immediate future, threatening the position of the notorious generals of the Ma family who control the northwest provinces.

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Breaking Blockade

THE local authorities in Shanghai are paying the greatest attention to breaking the blockade imposed by the Kuomintang and the imperialists. As a countermove, a six-point program has been formulated to cope with the situation (for enumeration of these points, see Page 211, "What Chinese Papers Say"). A people's delegate conference was held August 3 through 5, attended by more than 600 delegates from different walks of life. Mr. Yao Sui-shih, secretary-general of the East China Bureau of the Chinese Communist Party and concurrently secretary-general of the Shanghai Communist Municipal Committee, made a highly important report on the six-point program the East China Bureau and the Shanghai People's Government have worked out to deal with the present situation and to convert the nature of Shanghai's economic structure and life to one of economic independence instead of reliance on foreign assistance. Major Chen Yi also made a detailed report on the work of the Military Control Commission and the People's Government for the months of June and July.

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Pacific Union

THE current movement for establishing a Pacific Union to fight communism in the Far East assumed concrete form during the past week. Chiang Kai-shek's visit to South Korea and Elpidio Quirino's visit to

EVENTS IN BRIEF

The Takeover Committee of the Shanghai Military Control Commission reveals that 400,000 refugees have been repatriated since the liberation of the city. There are still some 170,000 unemployed refugees and 100,000 refugee landowners awaiting repatriation, the Committee estimates, as well as 650,000 paupers who may be willing to go to the countryside to participate in the industrial and agricultural production campaigns. In North Kiangsu and North Anhwei provinces alone, it is estimated, between 400,000 and 500,000 persons are needed to help reclaim the land by digging water canals, pumping out the draining water, and other kinds of irrigation work.

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The Hungarian Parliament at its next session will consider a new constitution to make Hungary a "people's republic" and a "state of workers and working peasants." The constitution guarantees full civil liberty to "all working people" and nationalizes natural resources, banks, transport, public utilities and industries. It also includes a clause granting sanctuary to all foreigners "persecuted for their activities in the interests of the liberation of their people."

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The Paris office of the Vietminh government has closed in protest over what it termed French persistance "in conducting a policy of colonial reconquest." The Vietminh representative declared that "Vietnam will always be disposed to reestablish normal relations with France whenever the French government is ready to recognize the independence of Vietnam by treating with its government." France now recognizes only the puppet regime headed by Bao Dai, ex-emperor of Annam.

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An agreement providing for wage increases and greater family allowances for Italian workers has been signed in Italy after six months of negotiations between the major labor unions and the General Confederation of Italian Industry. The agreement will cover a one year period.

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The Burmese foreign minister, U Maung, is now in England conferring with British government officials over a number of things, among which is reported to be the question of Commonwealth aid to Burma. Burma some time ago requested a loan to help put down its "insurgent" uprisings. After his visit in Britain, U Maung plans to fly to the United States.

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The Dutch and Indonesian Republicans formally ended their armed conflict and issued cease-fire orders to local military commanders in Java and Sumatra. Republicans and leaders of 15 non-Republican states agreed on plans for establishing a United States of Indonesia in partnership with the Netherlands under the Dutch crown. Details will be worked out in a conference at The Hague. Dutch officials announced, however, that no date will be set for the conference until the Dutch government is satisfied that the cease-fire order is carried out, while Indonesians recalled the Dutch "police action" of last December, when Republic leaders were taken prisoner, and declared the Dutch army must be withdrawn.

Washington are generally regarded in well-informed sources as indicating that the movement has been stepped up.

After the conference between Chiang Kai-shek and Syngman Rhee, a public statement was issued in which Kuomintang China and South Korea stressed their readiness to cooperate in checking communism.

The conference held in Washington between Harry S. Truman and Elpidio Quirino is of more importance. Although official quarters in Washington pointed out that "more tangible and immediate results from the Philippine President's visit are expected in the economic field than in the political field", competent observers think that the general situation in the Far East and a Pacific alliance of some sort must have been brought up for discussion.

Since Chiang Kai-shek's Kuomintang China, Syngman Rhee's South Korea and Quirino's Philippines are to constitute the "corner stone" of such an alliance it is interesting to watch recent developments in US-Korean and US-Philippine relations.

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Korea & Philippines

PRESIDENT Truman has already asked Congress for a big sum as American aid to South Korea and the United States is pouring more and more money into the Philippines. Well-informed sources revealed that Truman had discussed with Quirino a proposal to increase from US$625,000,000 to US$775,000,000 or US$875,000,000 the war damage being paid by the United States government to the people of the Philippines. The Philippine government's application for a World Bank loan of US$80,000,000 to finance hydro-electric power and fertilizer manufacturing projects also was up for discussion.

It is understood that, following two World Bank missions to the Philippines, approval of a US$15,000,000 loan to finance the dollar costs of a hydro-electric power and fertilizer manufacturing installation at Maria Cristina Falls on Mindanao was made. World Bank assistance for similar projects planned by the Philippine Government in Languno and Zambales provinces also is being sought. Alternatively, discussions have begun with the United States Export-Import Bank in an effort to obtain the necessary dollar funds.

On top of this, the Philippines is expected to obtain a substantial share of military aid from the United States, which is studying an arms aid bill of US$27,640,000 for the Philippines, Korea and Iran.

In spite of his promises to help Chiang Kai-shek fight communism, Quirino has had his position at home seriously weakened by the growth of guerrilla warfare in the countryside.

According to the *Associated Press*, continuation of the Hukbalahap rebellion in Central Luzon has sharpened the need for stronger internal security forces. Press reports told of new calls for reinforcements of the Philippine constabulary — national police—in central and northern Luzon. Latest reports indicate that Communist-led Huks are filtering north in heavily-armed groups of 100 or more. Appeals for constabulary

In Chinese Magazines . . .

World Culture

THE *World Culture Magazine* of July 22, 1949 carries an article by Chen. Hsueh-sheng analyzing the much-talked-about Pacific Union.

He says: ". . . Under the direction of American imperialism, the bandit boss Chiang Kai-shek and Philippine President Quirino and a representative from General Douglas MacArthur's headquarters recently held a conference at Baguio to discuss the formation of a so-called Pacific Union against communism.

"As early as in the summer of last year, Chiang Kai-shek, being perfectly aware of his inevitable defeat, sent Chang Chung to Tokyo to see MacArthur about the matter. After Chang's visit, the Kuomintang government stoutly denied that Chang Chun had discussed with SCAP the question of erecting a Japanese-Chinese-Korean anti-Communist alliance. However, the Baguio conference now has given the lie to this denial.

"Quirino's proposal for a Pacific Union not only has received the active support of the running dogs of American imperialism, Syngman Rhee and Chiang Kai-shek, but also was discussed in advance with a representative from MacArthur's headquarters.

"Immediately after the Baguio conference C. T. Wang, one of Chiang Kai-shek's trusted diplomats, issued a bold statement in Formosa, in which he said that it was necessary for the Pacific countries to form a close united front to safeguard their common interest and to forestall foreign aggression.

"He particularly stressed that such a united front should include all nations from Korea in the east to Pakistan in the west, Japan among the rest, of course, in spite of the fact that Japan has not yet concluded a peace treaty with the Allies.

"In other words, the Baguio conference was just the prologue to a grand symphony to be indulged in by a pack of running dogs of American imperialism, including Chiang Kai-shek, Syngman Rhee, Hatta, Soekarno, Bao Dai, Takin Nu and Nehru. In order to carry on their desperate struggle against the national liberation movements in the colonial and semi-colonial countries in Asia, these despicable creatures have gone so far as to seek the cooperation of the Japanese imperialists who are still their enemy Prior to the signing of a peace treaty."

The writer then points out that as the result of the disastrous defeat of the Kuomintang armies by the People's Liberation Army, the situation in China has radically changed and the proposed Pacific Union is much wider in scope than the Japanese-Chinese-Korean alliance which Chang Chun suggested during his visit to Tokyo.

But the prospects for such a union are anything but bright, according to Mr. Chen. "Even British diplomats," he says, "are skeptical about the eventual success of such a union, because Chiang Kai-shek does not possess the necessary military strength to ensure its success.

"The Manila Daily Mail, a pro-Government sheet, stated that much as the Philippines is friendly toward the Kuomintang Government of China, the Philippine Republic is in no position to take independent action in dealing with Chiang Kai-shek.

"The paper said that there has been quite a lot of idle talk about forming an anti-Communist front with Chiang Kai-shek's Nationalist China, but no thought has been given as to how help can be given a government which still depends on outside assistance to fight its own war."

* * *

TURNING to the attitude of the United States toward this proposed Pacific Union, the writer continues:

"On July 1, the State Department stated through its spokesman that although the United States had sympathy with such a move, it still considered premature the formation of a Pacific Union patterned on the Atlantic Pact. This hesitant attitude indicates that the Wall Street bankers are still pondering over the advisability of staking a large amount of capital on such a gamble without any guarantee of success.

"On the other hand, as the monopolistic capitalism of the United States comes nearer the fringes of death, it may possibly come into the open and abandon its present behind-the-scene manipulative tactics in dealing with the Pacific Union.

"In that case, Japan, which is still controlled by the reactionaries, will be exploited by American imperialism as a spring-board for the launching of aggression and oppression against the peoples of Asia, particularly against the Chinese people. . . ."

In conclusion, the writer stresses the importance of writing a peace treaty with Japan as early as possible. He cautions:

"We must demand early convocation of the Council of the Foreign Ministers of the Big Four, with participation by the People's Government of China, to draft a peace treaty with Japan and to bring to an end MacArthur's reactionary control over Japan. Only thus will it be possible to frustrate the attempts on the part of American imperialism to form a Pacific Union against communism."

What Chinese Papers Say . . .

EDITORIAL comment in the Chinese press centered around the question of how to smash the enemy's blockade and how to build up a new Shanghai. Supporting the policy outlined by the *Giefang Rhbao* in its editorial of July 27, papers expressed the view that the difficulties now confronting Shanghai can be overcome in due course.

* * *

New Shanghai

ANALYZING the character of Shanghai's pre-liberation economic life, the *Giefang Rhbao*, official organ of the Communists, pointed out:

". . . Though these temporary difficulties are found, in varying degrees, in liberated areas throughout the country, they are particularly serious in Shanghai. This is due to the fact that Shanghai's economic structure has inherent serious weaknesses. In the past, the so-called prosperity of Shanghai was not built on an independent and healthy foundation, but on imperialism and bureaucratic-compradore capitalism. In the past, Shanghai's economic production was principally aimed at serving the interests of a small number of foreign pillagers and domestic bureaucrats and compradores. Therefore, Shanghai was full of speculation, self-gratification, oppression and exploitation, together with the existence of mass unemployment.

"The preponderant portion of the important enterprises, particularly in the fields of banking, communications and public utilities, used to be held in the hands of foreign capitalists and Chinese bureaucrats and compradores and only a small portion was owned by national capital. Moreover, most industrial establishments depended upon foreign imperialism for the supply of electric power and vital raw materials such as cotton, and food stuffs. This presented a typical picture of colonial economy."

* * *

THE paper then pointed out that the blockade has added to Shanghai's difficulties. In order to defeat the blockade and build up a new Shanghai, the paper listed the following tasks:

"First, let us give active support to the People's Liberation Army in its march southward for the speedy liberation of Fukien and Formosa and other areas as yet not liberated. This is the most effective reply to the enemy's bombing and strafings and the best means of breaking down the armed blockade of Shanghai and other ports by the imperialists and the remnant forces of the Kuomintang.

"Second, let us carry out according to plan and with measured steps decentralization of the population and the transfer of a portion of schools and factories to the interior in order to alleviate the present over-congested situation in Shanghai and reduce the burden on this city. . . .

"Third, a change should be effected in the production policy and in the trend of development of Shanghai. All industrial enterprises, public as well as private, should seek means to rid themselves of their dependence on imperialism. The production policy should be based on producing for the home markets and serving the people of China. Only with the economic development of the cities and the raising of agricultural productivity in the countryside will it be possible to strengthen the foundation of industrial production in Shanghai and liberate Shanghai from its economic dependence on imperialism. . .

"Fourth, it is necessary to mobilize large numbers of Communist party functionaries, workers and students for work in the rural districts in order to organize the broad masses of farmers, to stamp out banditry, overhaul the administrative machinery, increase production and carry out agrarian reform for the purpose of liberating the farmers from oppression and exploitation by the feudalistic forces. . .

"Fifth, communications in the interior should be fully developed and the interflow of materials between city and village should be encouraged. The imperialists are directing the Kuomintang to use the blockade as a means of disrupting the free flow of commodities between China and foreign countries. . .

"Sixth, it is also necessary to practice economy in order to help overcome our present difficulties. The functionaries of the party must set an example to the people in enforcing austerity. . . "

Among the many factors which are listed by the paper as being favorable to Shanghai's economic reconstruction are the disappearance of the monopolies of the bureaucrats and imperialism, the powerful united front of the entire Chinese people and the honest, hard-working People's Government under the leadership of the Communist Party, the unlimited confidence and the whole-hearted support of the Chinese people for the Communist Party, and the experience gained by the Chinese people and the Communist Party during the war of resistance, as well as that gained by Soviet Russia and the new democracies.

reinforcements are coming from Bagayan and Neuva Ecija provinces to the extreme northeast of Luzon and from Pangasinan in Central Luzon. Neuva Ecija has figured prominently in agrarian troubles with peasant guerrillas for months. Other provinces are getting their first taste of Huk activity.

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US White Paper

THE swift march of the People's Liberation Army in South China and the impending collapse of the Kuomintang regime on the China mainland leaves the United States in a position of acute embarrassment. The reason is not far to seek. Washington has been backing the Kuomintang government in the latter's war with the Chinese Communists. Therefore the defeat of the Kuomintang in this war means a complete bankruptcy of United States policy in China. During recent months, particularly since the fall of Peiping and Tientsin at the beginning of this year, United States policy in China has been the target of sharp attacks both at home and abroad. In order to defend its China policy, the Truman Administration through the State Department made public a White Paper August 5, placing full blame on Chiang Kai-shek and other leaders of the "crumbling Nationalist Government" for the "ominous result of the Chinese civil war."

To support the position that the Kuomintang leaders—not Americans—were to blame for the disaster, the White Paper contained a letter from Li Tsung-jen dated May 5, 1949 to President Truman in which Li stated that China was brought to its present plight by the failure of its previous government to make judicious use of American aid and to put through political, economic and military reforms.

Secretary of State Dean Acheson admitted that the Kuomintang had no popular support, pointing out that the failures of the Kuomintang were due to loss of popular support and loss by the armies of the will to fight. He told Chairman Tom Connally of the Senate Foreign Relations Committee that the Chinese Communists could take over the rest of China any time they wanted and the Kuomintang armies would be powerless to resist.

The White Paper contains 1,054 pages, of which 409 pages are devoted to a running account of Sino-American relations and a total of 186 "annexes" which are in the main texts of previously secret papers such as the two-year-old report of Lieut.-Gen. Albert C. Wedemeyer to President Truman.

Commenting on the publication of the White Paper, political observers in Washington pointed out:

". . . Truman and Acheson evidently have decided that China's Nationalist Government is beyond the point where it can be hurt even by bitter criticism. In addition, they appear to believe the record justifies their determination to break with the past, release the facts as they see them and lay out new lines for anti-Communist diplomacy in the Far East. . . ."

The Review's English Lesson XCII

THIS week, we use a quotation from "Man Against Myth," which immediately follows last week's quotation:

If you carefully examine these three conditions, you will discover that they are such as to make myths necessary. No one in his senses would, for example, deliberately reject a society of abundance, for that would mean rejecting good housing and food and clothing and medical care and education, all of which he now spends his life trying to get for himself and his family. If men are to be prevented from moving into a society of abundance, they must be dissuaded by certain doctrines which undertake to show either (1) that the goal is impossible to attain, or (2) that the goal is undesirable.

Suppose that, undertaking point (1), you try to show that a society of abundance cannot be reached. You will not be able to argue that abundance is technologically impossible, for we have ample means to produce it and our means will grow yet more ample. No Malthus could now convince anybody that the population must necessarily outrun the food supply. The statement that abundance is impossible must therefore be made to rest upon some other basis. You might say, for instance, that human nature is ineradicably selfish and warlike, that therefore men cannot be brought to think of abundance for all, still less to work for it; but that men must be left to go on starving, torturing, and killing one another to the end of time—or of the human race. Or you might say that human nature is incapable of planning a society of abundance: there are so many "inferior" minds, and even the "best" minds cannot adequately deal with so vast a problem. In all this, you would be saying that, although abundance is technologically possible, it is psychologically impossible. Anyway, impossible.

Again suppose, undertaking point (2), you attempt to show that a society of abundance is undesirable. Now, the goal of abundance, with the ease and peacefulness of life which it would bring, is so obviously desirable that arguments to the contrary can scarcely be imagined. Nevertheless there are several. It can be said, for example, that "freedom" is better than "security," that the production of a few tough, adventurous spirits is better than the production of a multitude of pampered groundlings. It can be said that "inferior" peoples do not deserve abundance, that they wouldn't appreciate it, and that they don't want it. It can be said, further, that since there are two sides to every question, abundance probably has its disadvantages: for instance, the "soul" might drown in a bath of sensuous pleasure, if there were no rigors for it to endure. I think you will discover that men who object to abundance for all are remarkably concerned with the spiritual welfare of the underprivileged.

You will discover . . . : The reader is thus addressed informally, avoiding the use of the more formal, stiff and impersonal "one."

Society of abundance: A term made popular in America during Roosevelt's "New Deal"; a better life was to be brought about through certain social reforms.

Good housing and food and clothing . . . : Commas could be used instead of repeating "and," which is somewhat awkward.

Suppose that . . . you try to show . . . : Here, "you," for emphasis, places the reader among those who oppose the society of abundance.

Ineradicably: From the Latin **radix,** root. to eradicate is to pluck out the root, extirpate, completely get rid of. The prefix "in-" is negative; hence, powerless to get rid of.

— or of the human race: If men continue to starve, torture, and kill each other, they will destroy mankind considerably before "the end of time."

"Inferior," "best": Quotation marks used for irony. The author shows his disapproval of these terms, borrowed from the classes which use social myths to deny the possibility of a society of abundance.

Psychologically impossible: Man's nature makes it impossible.

"Freedom," "security": Quotation marks again for irony. The author implies that, as used by reactionary myth-makers, "freedom," for example, means their own liberty to exploit.

Tough, adventurous spirits: Here, tough means able to endure strain or hardship; robust. These spirits are the captains of industry and successful bankers.

Pampered groundlings: To pamper is to indulge, feed, to excess; groundlings are either certain fishes which swim close to the bottom, or the lowest class of a theatre audience—hence, persons of inferior taste. The term suggests that the tough, adventurous spirits consider themselves far superior to masses of inferior beings, and detest the idea of "pampering" them.

"Inferior" peoples: Later on in the book, the author explodes (for the thousandth time) the myth of "superior" and "inferior" races.

"Soul" . . . spiritual welfare of the underprivileged: Entrepreneurs and many religious leaders profess to view with great anxiety the possibility of a better life for the people, because sinful luxury would destroy their "souls."

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